

**FISCAL NOTE**  
**HB 93**  
**FIRST EXTRAORDINARY SESSION**

April 15, 1999

**SUMMARY OF BILL:**

1. Removes all sales tax exemptions outlined in TCA Title 67, Chapter 6, Part 3.
2. Redefines *business* to include: 1) Occasional or isolated sales or transactions by persons who are married, lineal, relatives or siblings involving mobile homes or house trailers when the only consideration is the assumption by the purchaser of a previously existing finance contract. 2) The sale of tangible personal property of any type sold directly to consumers by any person (including Girl Scouts or county fairs) during a temporary sales period which occurs on a semi-annual or less frequent basis.
3. Includes all farm equipment and machinery for sales tax purposes regardless of the retail price. Under existing law, *farm equipment and machinery* is exempt from sales and use tax, if it has a retail price greater than \$250.
4. Amends the definition of *industrial machinery* to include all such machinery regardless of cost and would subject this machinery to sales and use tax. Under existing law, *industrial machinery* is exempt from sales and use tax, if such machinery is necessary to and primarily for remanufacturing industrial machinery when used by one whose principal business is that of remanufacturing industrial machinery, if the cost of such machinery exceeds \$1,000.
5. Eliminates the following reduced rates and credits: 1) The reduced rate of 3% on the gross proceeds from the retail sale of manufactured homes. 2) The reduced rate of 4.5% on aviation fuel. 3) The reduced rate of 1.5% on electricity, liquefied gas, coal, wood and energy fuel used by farmers and nurserymen in the production of crops or food. 4) The reduced rate of 3.75% on sales of property to common carriers for use outside this state. 5) The tax credit of all but 0.5% of sales and use tax on the sale or use of building materials, machinery, and equipment used in qualified new or expanded headquarters facilities. 6) The reduced rate of 3% on the portion of the sale price of an aircraft in excess of \$100,000.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Exceeds \$1,000,000,000**

**Increase State Expenditures - \$787,000 Recurring  
\$190,900 One-Time**

**Increase Local Govt. Revenues - Exceeds \$275,000,000**

Estimates assume:

- The total amount of increased revenue that would be generated is unable to be determined but can be estimated to exceed \$1,000,000,000 in state revenues and \$275,000,000 in local government revenues.

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- The total increase in state expenditures is estimated to be \$787,000 in recurring costs; of which, \$522,000 is for personnel in the Dept. of Audit and \$265,000 for hiring additional personnel in Taxpayer Services.
- A one-time increase in state expenditures totaling \$190,900 will also occur, of which \$127,000 is for MIS system implementation costs and \$63,900, is for mailing notices to advise all sales tax accounts of changes in the law.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director